

Message Text

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PAGE 01 ISLAMA 08789 291144Z
ACTION NEA-10

INFO OCT-01 ISO-00 XMB-02 TRSE-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06
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FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC PRIORITY 3587

C O N F I D E N T I A L ISLAMABAD 8789

E.O. 11652: GDS
TAGS: BGEN, PK
SUBJECT: REQUEST FOR EXIMBANK FINANCING OF ONE 747 (SR) AIRCRAFT
FOR PIA

REF: STATE 205007,

1. WE SHARE VIEW THAT PAKISTAN IS VERY VULNERABLE TO DIFFICULT-
IES IN SERVICING ITS EXTERNAL DEBT AND CAN ADD NOTHING TO OUR
EARLIER REPORTING WHICH MIGHT SOFTEN THE OUTLOOK. AT THE SAME
TIME, WE ARE HAPPY TO NOTE THAT EXIM BANK IS REASSURED ON THE
CREDITWORTHINESS OF PIA. PIA WILL UNDOUBTEDLY CONTINUE TO BE
PROFITABLE AND GENERATE THE FOREIGN EXCHANGE NEEDED TO MEET
ITS FOREIGN OBLIGATIONS, INCLUDING EQUIPMENT LOANS. PRESUMABLY
SOME WAY COULD BE FOUND TO RESCHEDULE AROUND EXIM BANK LOANS.
WHILE WE THINK IT WOULD BE COUNTERPRODUCTIVE TO MAKE INQUIRIES
OF THE GOP, WE HAVE NO DOUBT THAT THE FINANCIAL OFFICIALS OF
THE GOP WOULD SEE TO IT THAT PIA HAS SUFFICIENT FOREIGN EXCHANGE
TO MEET ITS INTERNATIONAL OBLIGATIONS. TO DO OTHERWISE WOULD
BE TO KILL THE GOOSE THAT LAYS THE GOLDEN EGGS.

2. WE ARE FULLY APPRECIATIVE OF EXIM BANK'S PROBLEM WITH A
PAKISTAN RESCHEDULING, ESPECIALLY SINCE IT WAS ADVERSELY AFFECTED
BY AN EARLIER PAKISTAN RESCHEDULING. HOWEVER, IN THE PRESENT
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PAGE 02 ISLAMA 08789 291144Z

CASE WE CONSIDER THE RISK TO BE SMALL. IF EXIM BANK DOES NOT
FEEL IT CAN ASSUME EVEN THE SMALL RISK, WE HOPE THAT A GUARANTEE
BY A COMMERCIAL BANK OR AN OPEC COUNTRY AS SUGGESTED IN REFTL
CAN BE OBTAINED AND THAT THIS WILL MEET THE PROBLEM. OTHERWISE,
WE ARE CONCERNED THE NET EFFECT WILL NOT BE TO DEPRIVE PAKISTAN
OF AN AIRPLANE BUT BOEING OF A SALE AND VERY LIKELY FUTURE SALES
OF PLANE.

THE AIRBUS SALESMEN ARE VERY ACTIVE AND THEIR
COMPETITION IS FORMIDABLE.

3. IN ANY EVENT, WY URVE THAT THE MATTER CAN BE KEPT OPEN WITH
THE GOP SO LONG AS THERE IS THE GLIMMER OF HOPE FOR EXIM FINANCING
INDICATED IN REFTTEL. WE KNOW THAT DELAY MIGHT BE VIEWED AS
ATTEMPT TO PRESSURE GOP, BUT A FLAT TURNDOWN TO THE GOP NOW WOULD
CERTAINLY BE VIEWED AS A POLITICALLY PUNITIVE STEP, DESPITE
ANY EXIM BANK ASSURANCE TO THE CONTRARY. IN A NO WIN SITUAT-
ION, WE PREFER GOP SUSPICION TO WHAT IT WOULD VIEW AS CONFIRMAT-
ION.
HUMMEL

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